

**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING AUGUST 31, 2017**

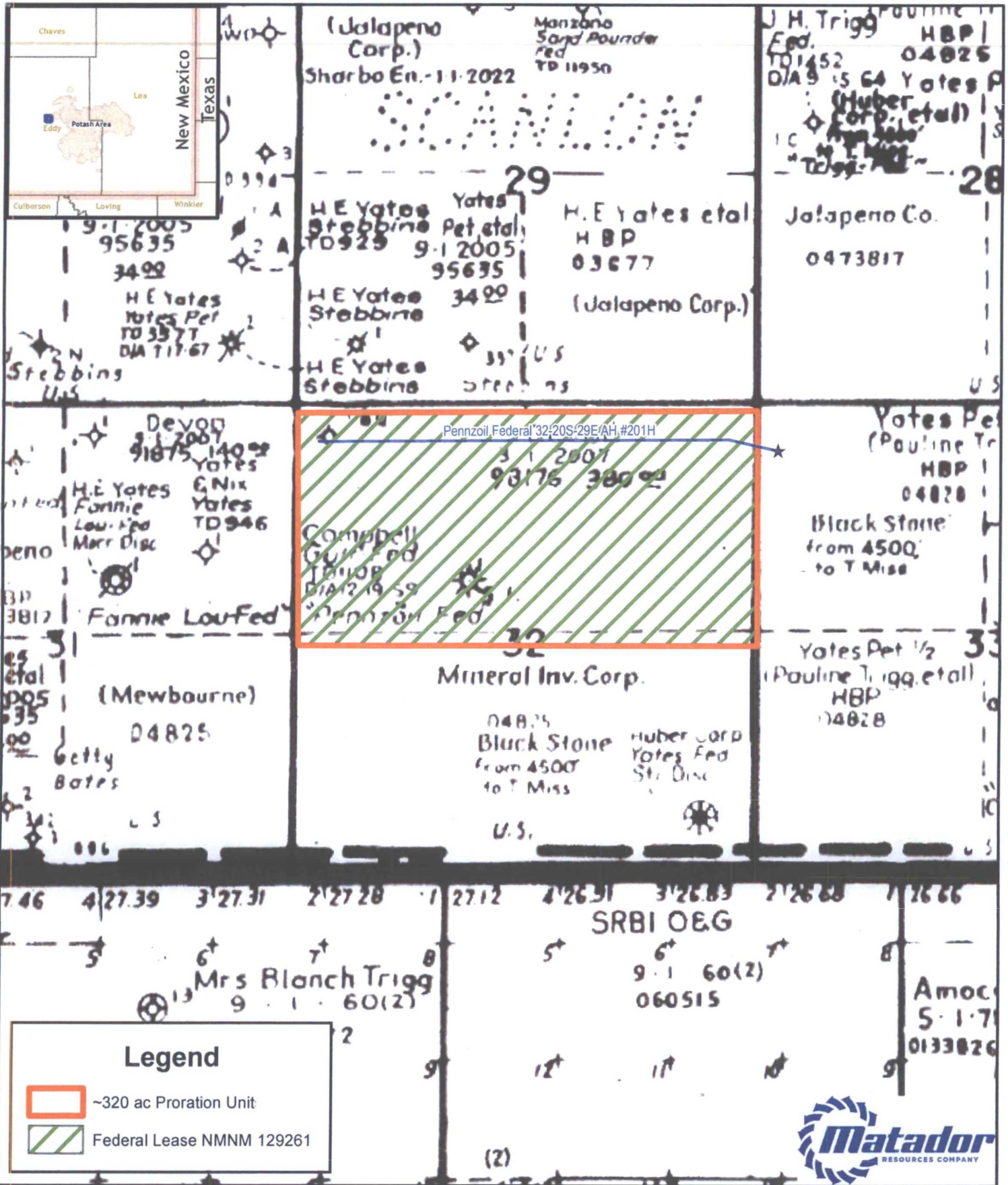
CASE No. 15796

PENNZOIL 32 FED No. 201H WELL

EDDY COUNTY, NEW MEXICO



32-20S-29E



GIS Standard Map Disclaimer:
This cartographic product is for informational purposes and may not have been prepared for, or be suitable for, legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the suitability of the information.

1:18,000

1 inch = 1,500 feet

Southeast New Mexico

Date: August 28, 2017
Coordinate System: NAD 1927 StatePlane New Mexico East FIPS 3001
Projection: Transverse Mercator; Datum: North American 1927; Units: Foot US
Sources: IHS; ESRI;

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Exhibit No. 1

Submitted by: MATADOR PRODUCTION CO.

Summary of Interests*

MRC Delaware Resources, LLC Working Interest		40.00%
Compulsory Pool Interest Total:		60.00%
Interest Owner:	Description:	Interest:
Marathon Oil Corporation	Working Interest Owner	60.00%

Pennzoil 32 Fed #201H

*The Summary of Interests was calculated based on a 320 acre unit and is subject to the final surveyed perimeter



pMRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5241 • Fax 214.866.4883

spyor@matadorresources.com

Sam Pryor
Senior Staff Landman

May 1, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Nadel and Gussman Delaware, LLC
15 East 5th Street Ste 3300
Tulsa, OK 74103

Re: Pennzoil 32 Fed #201H Participation Proposal
SHL: Section 33 - NW4NW4; BHL: Section 32- NW4NW4
Section 32, Township 20 South, Range 29 East
Eddy County, New Mexico

Nadel and Gussman Delaware, LLC,

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Pennzoil 32 Federal #201H well (the "Well"), located in the N2N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$7,581,913 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

The Well will be drilled to a total vertical depth of 9,465' and a total measured depth of 14,749', producing a treatable lateral of approximately 4,653' within the Wolfcamp formation to be completed with 22 stages.

MRC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement ("OA") covering 320 acres, being the N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico from the surface to the base of the Wolfcamp formation ("Contract Area") pursuant to the following terms:

- 100/300/300% Non-consent penalty
- \$7,000/\$700 Drilling and Producing overhead rate

MRC requests that you indicate your election to participate in the drilling and completion of the Well in the space provided below, sign and return one (1) copy of this letter along with your geological well requirements, the AFE, and the OA to the undersigned.

Nadel and Gussman Delaware, LLC will own approximately 0.21000000% working interest in the Well, subject to title verification

If your election is to participate in the drilling and completion of the Well, please sign and return a copy of the enclosed AFE within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well, each working interest owner shall be responsible for its proportionate share of all costs incurred.

Please contact me if you have any questions.

Sincerely,

MRC Delaware Resources, LLC

Sam Pryor

Enclosure(s)

Please elect one of the following and return to sender.

_____ Party hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

_____ I / We are interested in selling our interest in the Contract Area, please contact us to discuss.

Nadel and Gussman Delaware, LLC

By: _____

Title: _____

Date: _____

MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5241 • Fax 214.866.4883

spryor@matadorresources.com

Sam Pryor
Senior Staff Landman

May 1, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Crown Oil Partners V, LP
PO Box 50820
Midland, TX 79710

Re: Pennzoil 32 Fed #201H Participation Proposal
SHL: Section 33 - NW4NW4; BHL: Section 32- NW4NW4
Section 32, Township 20 South, Range 29 East
Eddy County, New Mexico

Crown Oil Partners V, LP,

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Pennzoil 32 Federal #201H well (the "Well"), located in the N2N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$7,581,913 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

The Well will be drilled to a total vertical depth of 9,465' and a total measured depth of 14,749', producing a treatable lateral of approximately 4,653' within the Wolfcamp formation to be completed with 22 stages.

MRC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement ("OA") covering 320 acres, being the N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico from the surface to the base of the Wolfcamp formation ("Contract Area") pursuant to the following terms:

- 100/300/300% Non-consent penalty
- \$7,000/\$700 Drilling and Producing overhead rate

MRC requests that you indicate your election to participate in the drilling and completion of the Well in the space provided below, sign and return one (1) copy of this letter along with your geological well requirements, the AFE, and the OA to the undersigned.

Crown Oil Partners V, LP will own approximately 0.19500000% working interest in the Well, subject to title verification

~~If your election is to participate in the drilling and completion of the Well, please sign and return a copy of the enclosed AFE within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well, each working interest owner shall be responsible for its proportionate share of all costs incurred.~~

Please contact me if you have any questions.

Sincerely,

MRC Delaware Resources, LLC

Sam Pryor

Enclosure(s)

Please elect one of the following and return to sender.

_____ Party hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

_____ I / We are interested in selling our interest in the Contract Area, please contact us to discuss.

Crown Oil Partners V, LP

By: _____

Title: _____

Date: _____

MRC Delaware Resources, LLC

One Lincoln Centre • 5400 LBJ Freeway • Suite 1500 • Dallas, Texas 75240

Voice 972.371.5241 • Fax 214.866.4883

spryor@matadorresources.com

Sam Pryor
Senior Staff Landman

May 1, 2017

VIA CERTIFIED RETURN RECEIPT MAIL

Crump Energy Partners II, LLC
PO Box 50820
Midland, TX 79710

Re: Pennzoil 32 Fed #201H Participation Proposal
SHL: Section 33 - NW4NW4; BHL: Section 32- NW4NW4
Section 32, Township 20 South, Range 29 East
Eddy County, New Mexico

Crump Energy Partners II, LLC,

MRC Delaware Resources, LLC and its operating company Matador Production Company (collectively "MRC") propose the drilling of the Pennzoil 32 Federal #201H well (the "Well"), located in the N2N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp formation. The estimated cost of drilling, testing, completing, and equipping the Well is \$7,581,913 as itemized on the enclosed Authority for Expenditure ("AFE") dated March 27, 2017.

The Well will be drilled to a total vertical depth of 9,465' and a total measured depth of 14,749', producing a treatable lateral of approximately 4,653' within the Wolfcamp formation to be completed with 22 stages.

MRC is proposing to drill the Well under the terms of a modified 1989 AAPL form of Operating Agreement ("OA") covering 320 acres, being the N2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico from the surface to the base of the Wolfcamp formation ("Contract Area") pursuant to the following terms:

- 100/300/300% Non-consent penalty
- \$7,000/\$700 Drilling and Producing overhead rate

MRC requests that you indicate your election to participate in the drilling and completion of the Well in the space provided below, sign and return one (1) copy of this letter along with your geological well requirements, the AFE, and the OA to the undersigned.

Crump Energy Partners II, LLC will own approximately 0.19500000% working interest in the Well, subject to title verification

If your election is to participate in the drilling and completion of the Well, please sign and return a copy of the enclosed AFE within thirty (30) days of receipt of this notice. Please be aware that the enclosed AFE is only an estimate of costs to be incurred and by electing to participate in the Well, each working interest owner shall be responsible for its proportionate share of all costs incurred.

Please contact me if you have any questions.

Sincerely,

MRC Delaware Resources, LLC

Sam Pryor

Enclosure(s)

Please elect one of the following and return to sender.

_____ Party hereby elects to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

_____ Party hereby elects not to participate for its proportionate share of the costs detailed in the enclosed AFE associated with the Pennzoil 32 Federal #201H.

_____ I / We are interested in selling our interest in the Contract Area, please contact us to discuss.

Crump Energy Partners II, LLC

By: _____

Title: _____

Date: _____

ONE LINCOLN CENTRE • 5400 LBJ FREEWAY • SUITE 1500 • DALLAS, TEXAS 75240

Phone (972) 371-5200 • Fax (972) 371-5201

ESTIMATE OF COSTS AND AUTHORIZATION FOR EXPENDITURE

INTANGIBLE COSTS	DRILLING COSTS	COMPLETION COSTS	PRODUCTION COSTS	FACILITY COSTS	TOTAL COSTS
Land / Legal / Regulatory	\$ 51,700	\$ -	\$ -	\$ -	\$ 51,700
Location, Surveys & Damages	81,500	13,000	8,000	28,000	108,500
Drilling	782,850	-	-	-	782,850
Cementing & Float Equip	201,000	-	-	-	201,000
Logging / Formation Evaluation	-	8,000	-	-	8,000
Mud Logging	25,088	-	-	-	25,088
Mud Circulation System	50,428	-	-	-	50,428
Mud & Chemicals	105,600	20,000	-	-	125,600
Mud / Wastewater Disposal	155,000	-	-	-	155,000
Freight / Transportation	15,000	12,000	-	-	27,000
Rig Supervision / Engineering	115,500	57,500	3,200	6,000	182,200
Drill Bits	84,000	-	-	-	84,000
Fuel & Power	88,625	-	-	-	88,625
Water	37,000	450,000	-	-	487,000
Drig & Completion Overhead	9,000	6,500	-	-	15,500
Plugging & Abandonment	-	-	-	-	-
Directional Drilling, Surveys	245,000	-	-	-	245,000
Completion Unit, Swab, CTU	-	40,000	10,500	-	50,500
Perforating, Wireline, Slickline	-	142,500	-	-	142,500
High Pressure Pump Truck	-	42,000	10,500	-	52,500
Stimulation	-	2,288,000	-	-	2,288,000
Stimulation Flowback & Otap	-	180,500	4,500	-	185,000
Insurance	25,333	-	-	-	25,333
Lebor	100,500	9,000	8,000	-	115,500
Rental - Surface Equipment	54,088	103,055	1,000	1,800	159,943
Rental - Downhole Equipment	56,000	-	-	-	56,000
Rental - Living Quarters	53,563	25,570	1,000	800	80,733
Contingency	116,744	342,363	2,870	3,740	465,516
TOTAL INTANGIBLES >	2,451,617	3,785,988	44,370	41,140	6,303,114

PREPARED BY MATADOR PRODUCTION COMPANY:

MATADOR RESOURCES COMPANY APPROVAL:

NON OPERATING PARTNER APPROVAL:

These costs on this AFE are estimates and may not be confirmed as billings on any specific date or the total cost of the project. Timing initiation approval under the AFE may be delayed up to a year after the well has been completed. In accepting this AFE, the Participant agrees to pay to participants costs of actual costs incurred, including, but not limited to, registration, brokerage and well costs under the terms of the applicable joint operating agreement, regulatory order or other agreement covering this well. Participants shall be covered by and shall proportionately be Operator's well control and general liability insurance unless participant provides Operator a certificate of coverage. Its own insurance, as applicable, applicable to the Country in the field of cost.

Jordan L. Kessler

From: Sam Pryor <spryor@matadorresources.com>
Sent: Tuesday, August 22, 2017 7:43 AM
To: Brown, Matthew D. (MRO)
Cc: Tate, Matthew S. (MRO); Gorman, Jessica (MRO)
Subject: Re: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thanks, Matt. I am out of the office but available by cell if you need to discuss.

214-435-5918

Sam

Sent from my iPhone

On Aug 22, 2017, at 8:00 AM, Brown, Matthew D. (MRO) <mbrown3@marathonoil.com> wrote:

****EXTERNAL EMAIL****

Sam,

Sorry for the delayed response. Our Subsurface team has been swamped with 2018 budget work and other projects. I'll try and get final decision this week so that you can avoid having to go to hearing.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Monday, August 21, 2017 11:09 AM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Gorman, Jessica (MRO) <jgorman1@marathonoil.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I wanted to follow up on the proposed terms for our Pennzoil 32 term assignment. The force pool hearing is scheduled for next week and I would like to be able to come to terms this week and potentially close prior to the hearing next week. Let me know if you have any questions or concerns.

Thanks,
Sam

From: Sam Pryor
Sent: Wednesday, August 09, 2017 12:53 PM

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 5
Submitted by: **MATADOR PRODUCTION CO.**
Hearing Date: August 31, 2017

To: 'Brown, Matthew D. (MRO)'
Cc: Tate, Matthew S. (MRO); Gorman, Jessica (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

Below is a WI breakdown per our title opinion. It is my understanding that Marathon has acquired each of the below interests. Please let me know if Marathon has not acquired some or all of these interests. The WI % is based on a 320 acre contractual unit.

Net Acres	WI	
Leased		
67.2000	0.21000000	Nadel and Gussman Delaware, LLC (WI)
62.4000	0.19500000	Crown Oil Partners V, LP (WI)
62.4000	0.19500000	Crump Energy Partners II, LLC (WI)

Let me know if you have any questions.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Wednesday, August 02, 2017 11:59 AM
To: Sam Pryor
Cc: Tate, Matthew S. (MRO); Gorman, Jessica (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

I apologize in advance if I have already asked this question. However, what is the background on the 60/40% WI split? Our records show that we own 160 net acres. However, I seem to recall that a JV Agreement defined contractual interests as 60/40%. Thanks in advance for any background you can provide.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land - Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Monday, July 31, 2017 12:28 PM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Chris Carleton <ccarleton@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I apologize for the delay. Please find below proposed terms for the term assignment.

- Term: 2 Years
- Acres: ~ 192 NMA
- Bonus: \$6,000 / NMA (\$1,152,000.00)
- NRI: All
- Depths: All
- CDC: 180 Days

Let me know if you have any questions.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Tuesday, July 25, 2017 6:25 PM
To: Sam Pryor
Cc: Tate, Matthew S. (MRO); Chris Carleton
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

Can you submit a proposal containing the key terms (i.e. Term, Bonus, NRI to deliver, etc.) so that we can review with the asset team? The proposal can be a simple bullet point list. Of course any proposal submitted would be non-binding until execution of a final Agreement. Let me know if this path forward works for Matador.

From: Sam Pryor <spryor@matadorresources.com>
Date: July 25, 2017 at 17:37:34 CDT
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>, Chris Carleton <ccarleton@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

It was nice to put a face to a name. We do plan to pursue a term assignment route for the Pennzoil 32 prospect. My A&D attorneys are pretty swamped at the moment and I think it would be more timely for both of us if we could come to an understanding on terms and tailor an agreement to fit the terms.

I recall that you may be handing item off to another. Who would you prefer me to discuss terms with? Alternatively, I can prepare an e-mail with proposed terms to get the gears started.

Let me know what works best for your group.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Tuesday, July 25, 2017 4:44 PM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

It was good to meet you face-to-face in Santa Fe last week. I wanted to follow up with you on Matador's proposed Pennzoil Unit and Well Proposals. Is Matador still considering making a Term Assignment proposal for Marathon's interest in the Pennzoil Unit? Thanks in advance for the update.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Tuesday, July 11, 2017 6:25 PM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thanks, Matt. I look forward to the call.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Tuesday, July 11, 2017 6:23 PM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO)
Subject: Re: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

Sorry I missed your call. I am traveling to Midland today but will call you tomorrow afternoon to discuss our options with respect to the Pennzoil proposals.

Matt Brown
mbrown3@marathonoil.com
(281) 468-8833

From: Sam Pryor <spryor@matadorresources.com>
Sent: Tuesday, July 11, 2017 4:20:16 PM
To: Brown, Matthew D. (MRO)
Cc: Chris Carleton; Tate, Matthew S. (MRO); Cassie Hahn; Neal, Lane E. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I left a voicemail for you and wanted to respond to your note as well. We are open to either of these deal structures as a concept and would ask that you give me a call discuss in more detail at your convenience. If you prefer, I can put some additional thoughts together via e-mail later this week.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Monday, July 10, 2017 7:48 AM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO); Cassie Hahn; Neal, Lane E. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thank you for the update Sam. Certainly executing a mutually agreeable acreage trade is our preference. However, in the event we are unable to execute an acreage trade would Matador be interested acquiring all or a portion of Marathon's interest via a Farmout or Term Assignment? Please advise.

Regards,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Sunday, July 09, 2017 11:29 AM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Cassie Hahn <CHahn@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

We had an issue arise on my asset area's rig schedule last week. This asset area is running thin on desirable back up locations and we are being asked to bring the Pennzoil 32 prospect forward for a potential October spud date. If possible, let's push these trade discussions forward next week and see what we have to work with.

Please note that I will have to file for force pooling by the end of next week to get a hearing date scheduled that could allow enough time for the OCD to turn around an order prior to spud. We prefer to execute on a trade or come to another arrangement and appreciate your help on bringing it forward.

Please let me know when you are ready to discuss or if you have any questions.

Sam

From: Brown, Matthew D. (MRO) [<mailto:mbrown3@marathonoil.com>]
Sent: Friday, July 07, 2017 1:58 PM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO); Cassie Hahn
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Thanks Sam.

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Friday, July 07, 2017 9:13 AM
To: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Tate, Matthew S. (MRO) <matthewstate@marathonoil.com>; Cassie Hahn <CHahn@matadorresources.com>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Matt,

I have put in a request to our Land Admin group for confirmation but our GIS map is showing that Matador owns 5.21 NMA in the N/2 NE/4 of Sec. 30 – 23S-28E, Eddy County.

Thanks,

Sam

From: Brown, Matthew D. (MRO) [mailto:mbrown3@marathonoil.com]
Sent: Friday, July 07, 2017 7:14 AM
To: Sam Pryor
Cc: Chris Carleton; Tate, Matthew S. (MRO)
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

Reference is made to the email below. Can you confirm Matador's ownership in the tract described in the email?

Thanks,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Brown, Matthew D. (MRO)
Sent: Thursday, June 29, 2017 3:11 PM
To: 'Sam Pryor' <spryor@matadorresources.com>
Cc: Chris Carleton <ccarleton@matadorresources.com>; Matthew S. Tate (MRO) (MATTHEWSTATE@MARATHONOIL.COM)
<MATTHEWSTATE@MARATHONOIL.COM>
Subject: RE: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Sam,

I am still in the process of trying to put together an accurate map of Matador's acreage so I can review potential acreage trades. Based on an initial version of a Matador acreage map it appears

Matador owns interest in the N/2 NE/4 of Sec. 30 – 23S-28E, Eddy County. Can you verify whether or not Matador owns any interest in this 80 acre tract?

Thanks,

Matt Brown, CPL
Marathon Oil Corporation
Land – Permian
Ph# 713.296.3408 / Cell# 281.468.8833
5555 San Felipe St. / Houston, TX 77056

From: Sam Pryor [<mailto:spryor@matadorresources.com>]
Sent: Friday, June 23, 2017 11:26 AM
To: Gorman, Jessica (MRO) <jgorman1@marathonoil.com>
Cc: Brown, Matthew D. (MRO) <mbrown3@marathonoil.com>; Chris Carleton <ccarleton@matadorresources.com>
Subject: [External] RE: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM

Beware of links/attachments.

Jessica,

Chris Carleton informed me that you have had difficulties contacting me. I am in receipt of your voicemail from Tuesday and your e-mail from Wednesday. I apologize for the delayed response as I have been in the field.

Matador may file for a force pooling hearing in the near future but my recent discussion with Matt Brown indicated that Marathon is preparing to propose an acreage trade to Matador. I wanted to allow a reasonable amount of time for a mutually agreeable trade to develop before pushing forward with a hearing.

With regards to the proposed OA, we have not revised the exhibits to the Pennzoil 32 OA due to the anticipation of an acreage trade. I am happy to revise the Exhibit "A" to reflect Marathon's interest in this proposed contract area and will provide to you next week.

I anticipate that you are following your internal process as it related to non-op well proposals but please let me know if Marathon now desires to participate in these Pennzoil 32 wells as opposed to trading out.

Best regards,

Sam

Sam Pryor

Senior Staff Landman

Matador Resources Company

One Lincoln Centre

5400 LBJ Freeway

Suite 1500

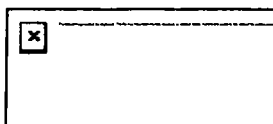
Dallas, Texas 75240

Phone: 972-371-5241

Fax: 972-371-5201

Cell: 214-435-5918

spryor@matadorresources.com



From: Gorman, Jessica (MRO) [<mailto:jgorman1@marathonoil.com>]
Sent: Wednesday, June 21, 2017 8:59 AM
To: Sam Pryor
Subject: Pennzoil 32 Fed #131H, 132H and 201H, Eddy NM
Importance: High

Morning Sam,

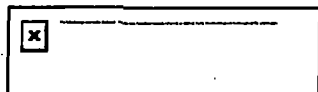
Does Matador plan to file a pooling or non-standard spacing unit application for the subject wells? Since Marathon has acquired Nadel and Gussman, Crown and Crump's working interest in the Permian could you provide at your convenience a revised Exhibit A and signature pages reflecting Marathon Oil Permian LLC as a working interest owner.

Also, the AFE proposals are showing 3 listed wells for Nadel and Gussman's working interest but I did not locate anything for Crown or Crump's working interest which is indicated in the Proposed JOA. So I was hoping to see if you have any documents or a DOTO showing the breakdown of the WI's?

I appreciate your help on all the my question and I look forward to hear from you.

Respectfully,

Jessica Gorman

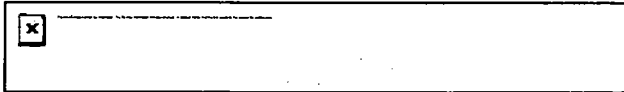


Land Technician – Permian

Telephone: 713-296-3024

5555 San Felipe St.

Houston, Texas 77056



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**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF MATADOR PRODUCTION
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 15796

AFFIDAVIT

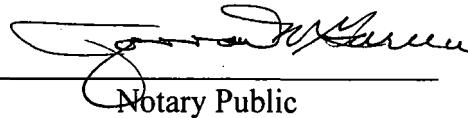
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

Jordan L. Kessler, attorney in fact and authorized representative of Matador Production Company, the Applicant herein, being first duly sworn, upon oath, states that the above-referenced Application has been provided under the notice letters and proof of receipts attached hereto.

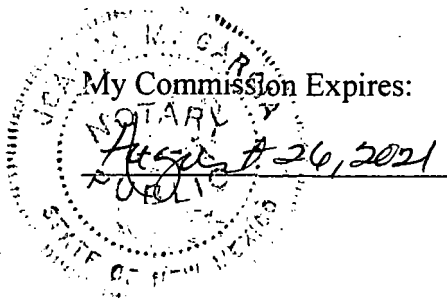


Jordan L. Kessler

SUBSCRIBED AND SWORN to before me this 30th day of August, 2017 by Jordan L.
Kessler.



Notary Public



HOLLAND & HART



Jordan L. Kessler

Associate

Phone (505) 988-4421

Fax (505) 983-6043

JLKessler@hollandhart.com

August 11, 2017

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: ALL INTEREST OWNERS SUBJECT TO POOLING PROCEEDINGS

**Re: Application of Matador Production Company for compulsory pooling, Eddy
County, New Mexico.
Pennzoil 32 Fed No. 201H Well**

Ladies & Gentlemen:

This letter is to advise you that Matador Production Company has filed the enclosed application with the New Mexico Oil Conservation Division. This application will be set for hearing before a Division Examiner at 8:15 a.m. on August 31, 2017. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter please contact Cassie Hahn, at (972) 371-5440 or chan@matadorresources.com.

Sincerely,

Jordan L. Kessler

**ATTORNEY FOR
MATADOR PRODUCTION COMPANY**

Holland & Hart

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, New Mexico 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Branches: Boulder, Canon City, Colorado Springs, Denver, Denver Tech Center, Billings, Boise, Cheyenne, Jackson Hole, Las Vegas, Reno, Salt Lake City, Santa Fe, Washington, D.C.

**Pennzoil Fed No. 131H, 132H, 201H – Pooled Party- Case No. 15794, Case No.
15795, Case No. 15796**

Marathon Oil Corporation
Attn: Matt Brown
5555 San Felipe St.
Houston, TX 77056

7017 1450 0000 8377 5434

U.S. Postal Service
CERTIFIED MAIL® RECEIPT

Domestic Mail Only

For delivery information, visit usps.com

Pennzoil

JLK/MRC

1315 1321 1285

Case No. 15794, 15795, 15796

OFFICE

Certified Mail Fee

- Extra Services & Fees (check box, add fee if appropriate)
- ☐ Return Receipt (hardcopy)
 - ☐ Return Receipt (electronic)
 - ☐ Certified Mail Restricted Delivery
 - ☐ Adult Signature Required
 - ☐ Adult Signature Restricted Delivery

AUG 11 2017
Postmark
Here

USPS

Marathon Oil Corporation
Attn: Matt Brown
5555 San Felipe St.
Houston, TX 77056

COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Marathon Oil Corporation
Attn: Matt Brown
5555 San Felipe St.
Houston, TX 77056

9590 9402 2942 7094 6385 69

Article Number (transfer from container label)

7017 1450 0000 8377 5434

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *D. K. Brown*

- ☐ Agent
- ☐ Addressee

B. Received by (Printed Name)

D. K. Brown

C. Date of Delivery

8/13/17

D. Is delivery address different from item 1? If YES, enter delivery address below:

- ☐ Yes
- ☐ No

3. Service Type

- ☐ Adult Signature
- ☐ Adult Signature Restricted Delivery
- ☐ Certified Mail®
- ☐ Certified Mail Restricted Delivery
- ☐ Collect on Delivery
- ☐ Collect on Delivery Restricted Delivery
- ☐ Priority Mail Express®
- ☐ Registered Mail™
- ☐ Registered Mail Restricted Delivery
- ☐ Return Receipt for Merchandise
- ☐ Signature Confirmation®
- ☐ Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

PS Form 3800, April 2015 PSN 7530-02-000-9053

See Reverse for Instructions

Affidavit of Publication

State of New Mexico,
County of Eddy, ss.

Danny Fletcher, being first duly
sworn, on oath says:

That he is the Publisher of the
Carlsbad Current-Argus, a
newspaper published daily at the
City of Carlsbad, in said county of
Eddy, state of New Mexico and of
general paid circulation in said
county; that the same is a duly
qualified newspaper under the laws
of the State wherein legal notices
and advertisements may be
published; that the printed notice
attached hereto was published in the
regular and entire edition of said
newspaper and not in supplement
thereof on the date as follows, to wit:

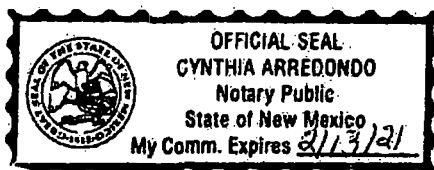
August 16 2017

That the cost of publication is
\$148.84 and that payment thereof
has been made and will be
assessed as court costs.

Subscribed and sworn to before me
this 18 day of AUGUST, 2017

My commission Expires 2/13/21

Notary Public



August 16, 2017
STATE OF NEW MEXICO
ENERGY, MINERALS
AND NATURAL
RESOURCES
DEPARTMENT
OIL CONSERVATION
DIVISION
SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on August 31, 2017, in the Oil Conservation Division Hearing Room at 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by August 21, 2017. Public documents including the agenda and minutes can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

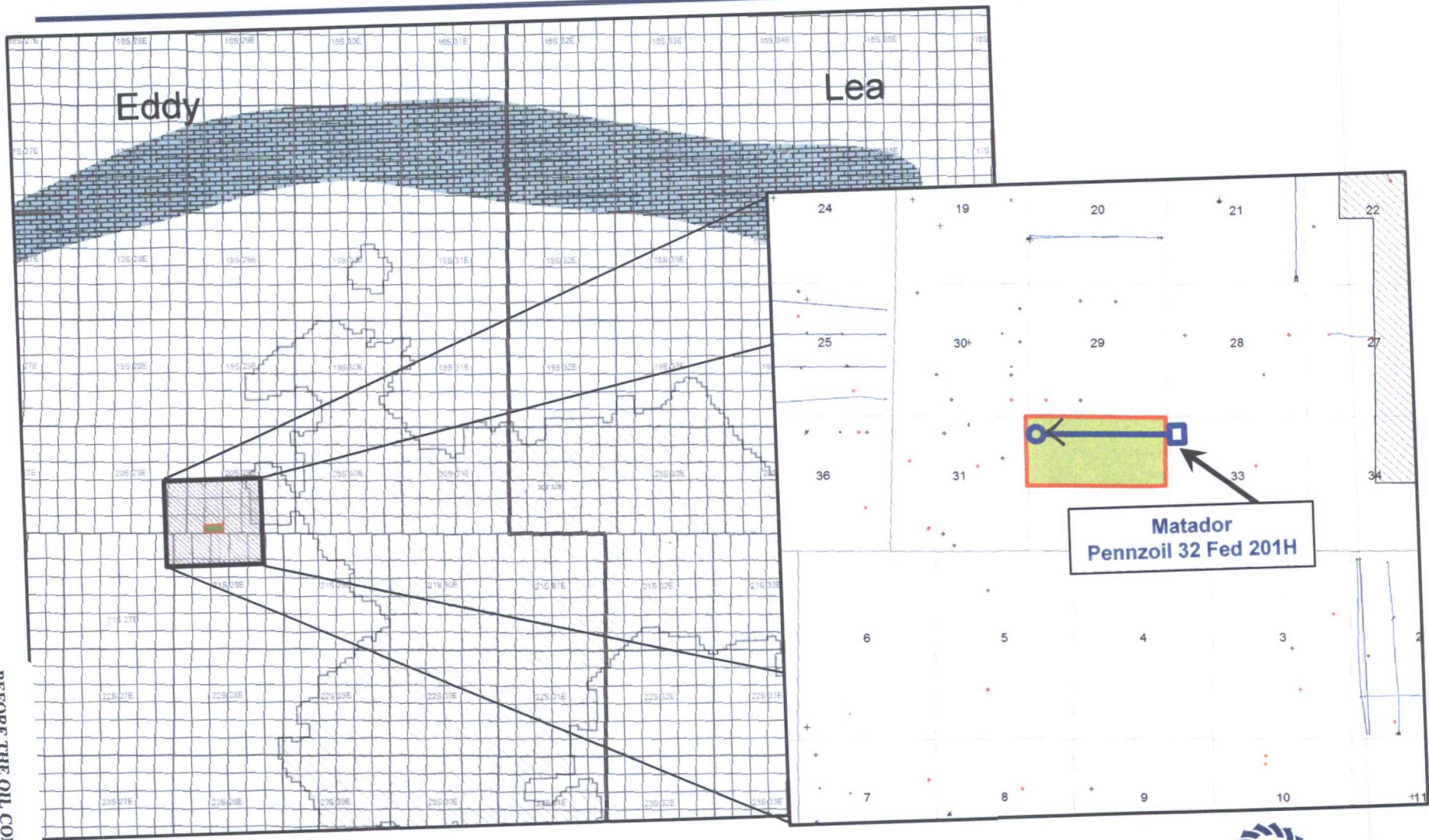
STATE OF NEW MEXICO TO:
All named parties and persons having any right, title, interest or claim in the following cases and notice to the public.

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

To: **Marathon Oil Corporation.**

Case No. 15796: Application of Matador Production Company for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all uncommitted mineral interests in the Wolfcamp formation underlying a 320-acre, more or less, spacing and proration unit comprised of the N/2 of Section 32, Township 20 South, Range 29 East, Eddy County, New Mexico. Said spacing and proration unit is to be dedicated to applicant's proposed Pennzoil 32 Fed. No. 201H Well, which will be horizontal, drilled from a surface location in the NW/4 NW/4 (Unit D) of Section 33 to a non-standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 32. The completed interval for this well is unorthodox because it does not comply with the 660-foot setbacks for gas wells pursuant to the statewide rules. Matador will apply administratively for approval of an unorthodox location. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Matador Production Company as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 11 miles northeast of Carlsbad, NM.

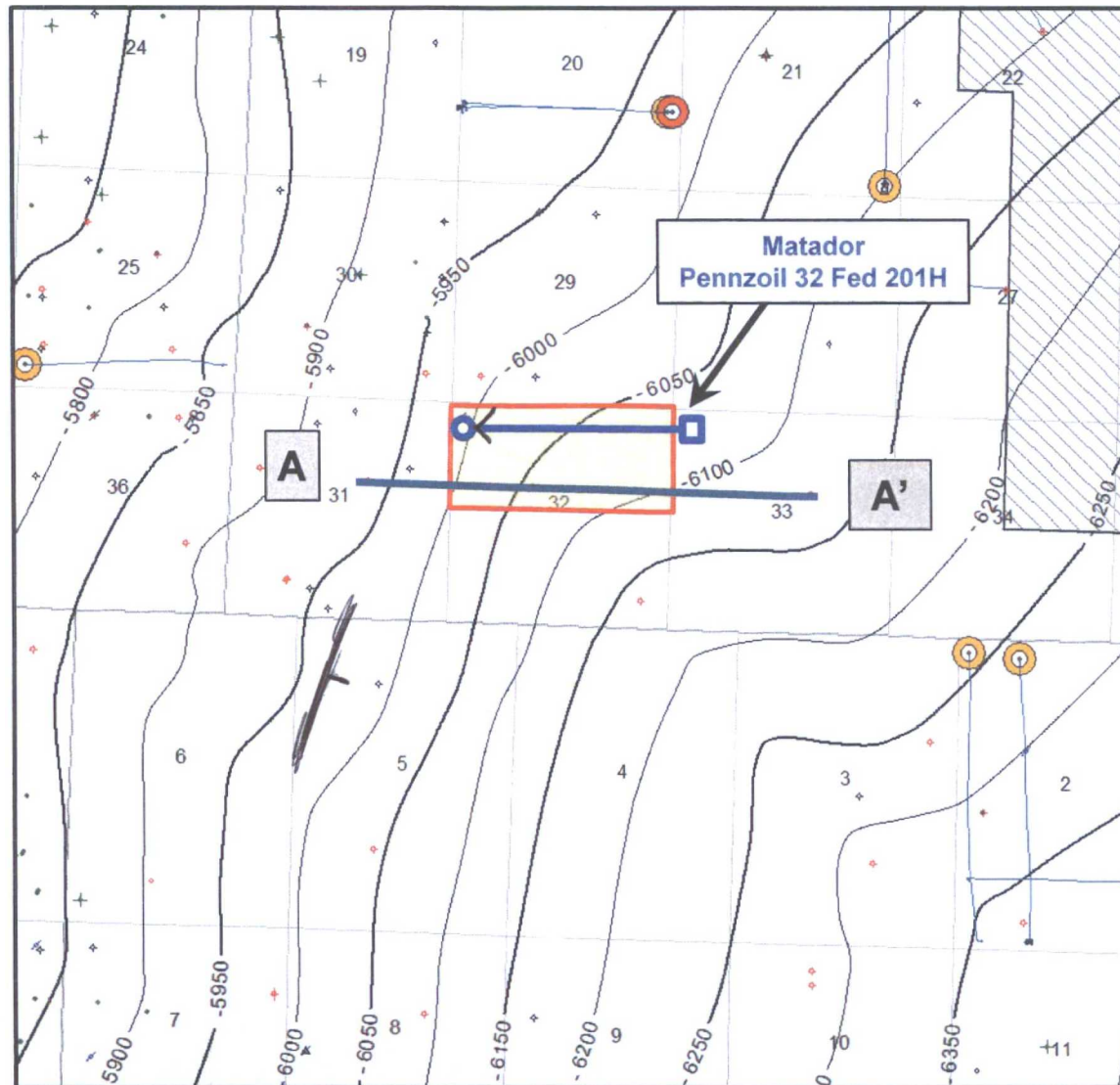
Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Locator Map







Pennzoil 32 Federal #201H

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 8
Submitted by: MATADOR PRODUCTION CO.
Hearing Date: August 31, 2017

Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Structure Map



Map Legend

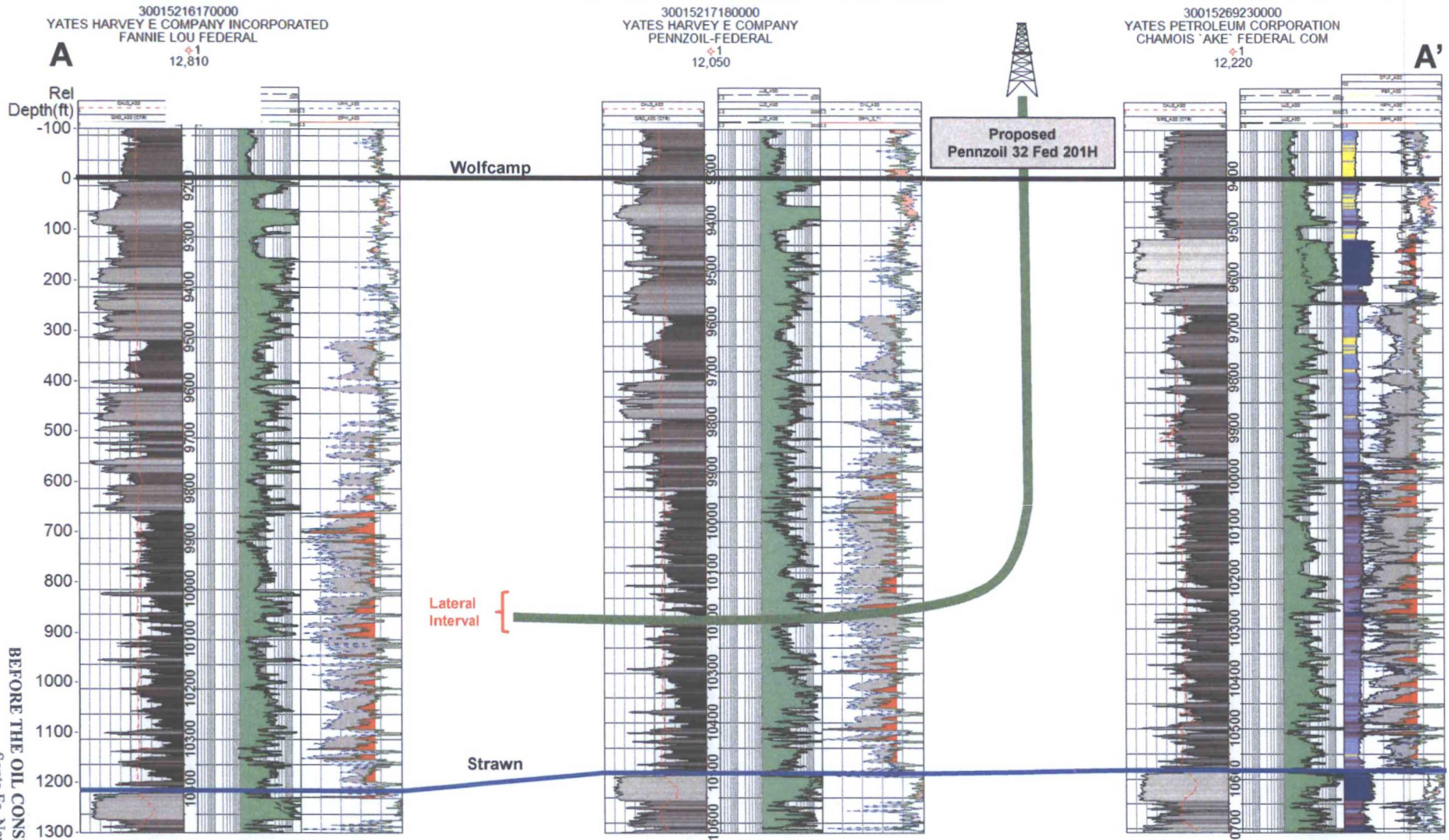
- BHL  Matador – Horizontal Location
- SHL  Project Area
-  2nd Bone Spring HZ Producer
-  3rd Bone Spring HZ Producer

C.I. = 50'

Pennzoil 32 Federal #201H



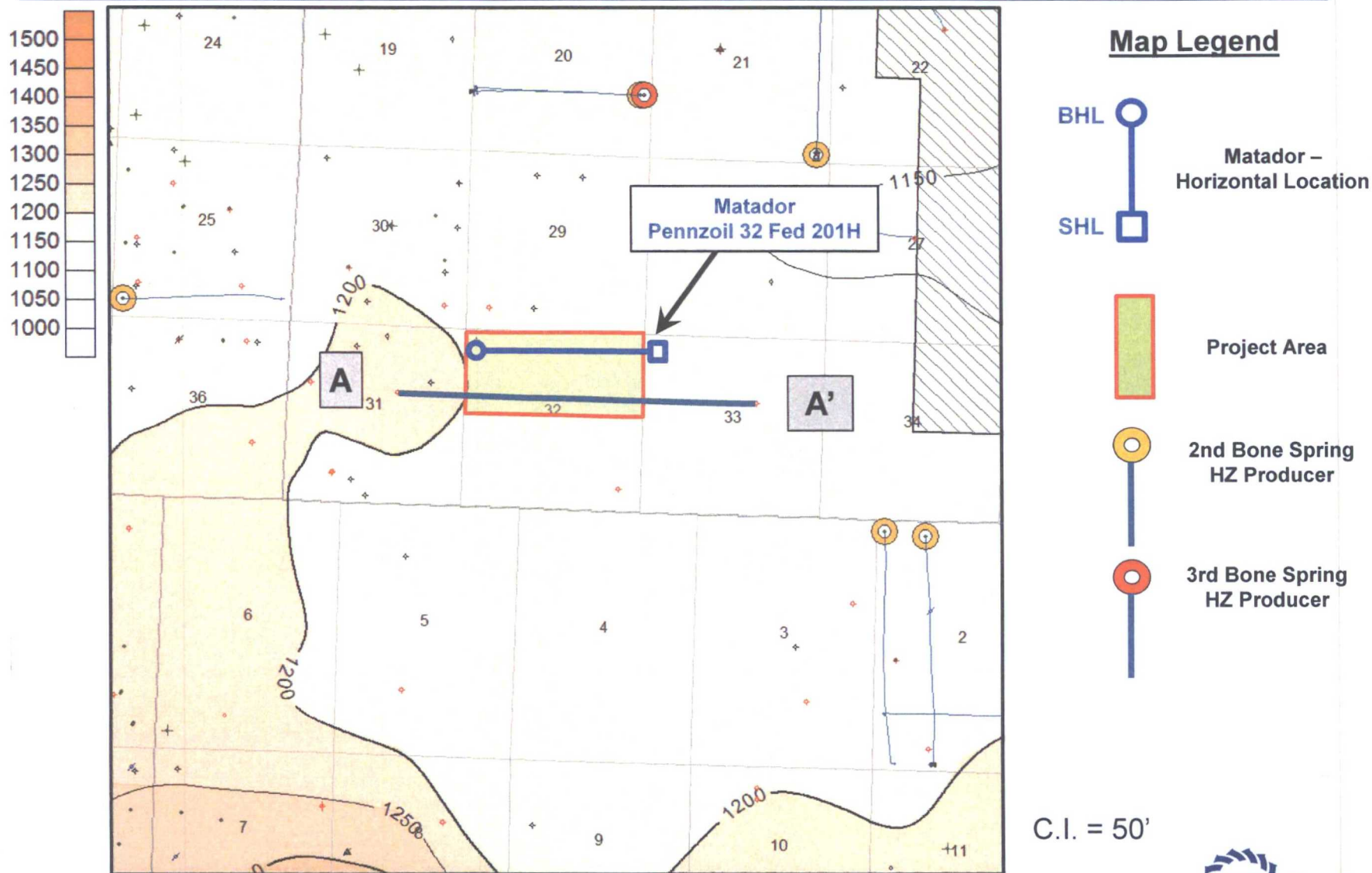
Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Stratigraphic Cross Section A - A'



Pennzoil 32 Federal #201H



Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Isopach Map



Pennzoil 32 Federal #201H

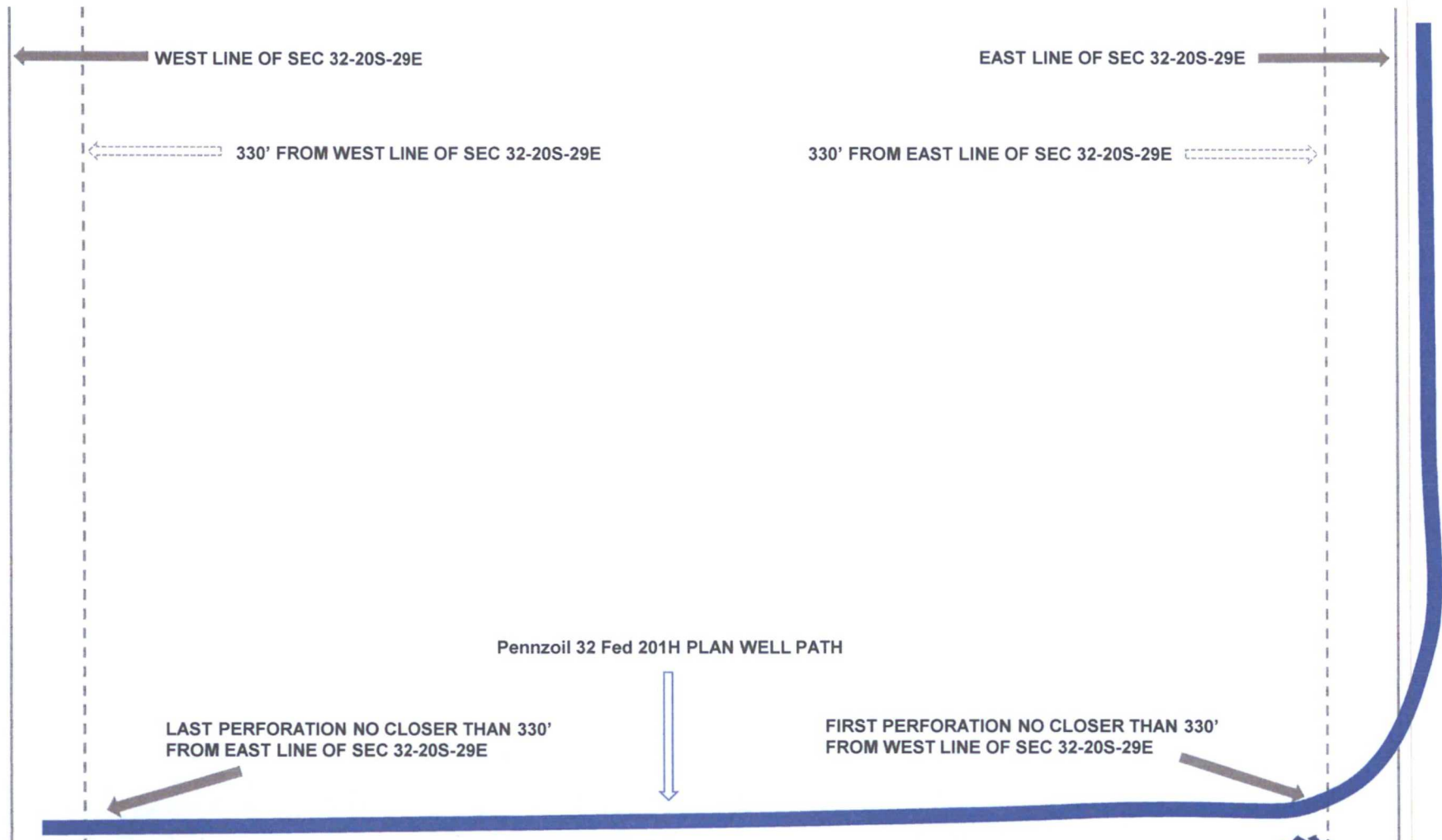


Burton Flat; Wolfcamp, East Gas (Pool Code: 73480) Pennzoil 32 Fed 201H Completion

Pennzoil 32 Fed 201H

SURFACE HOLE 420' FNL & 220' FWL OF SEC 33-20S-29E
BOTTOM HOLE 330' FNL & 240' FWL OF SEC 32-20S-29E

DIAGRAM NOT DRAWN TO SCALE



Pennzoil 32 Federal #201H



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 12

Submitted by: MATADOR PRODUCTION CO.

Hearing Date: August 31, 2017